

## APPENDIX 2

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 1 February 2022	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Policy and Resources Strategy: capital monitoring report, including capital programme update 2021-22 (month 9)	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Rebecca Lury, Finance, Performance and Democracy	

### **FOREWORD – COUNCILLOR REBECCA LURY, CABINET MEMBER FOR FINANCE, PERFORMANCE AND DEMOCRACY**

As ever, we remain committed and ambitious about our ability to deliver major investments and improvements in our Borough.

Covid-19 has impacted on our proposed projects over the last 18 months, and we expect will continue to impact in this financial year.

We previously reviewed the entirety of the Capital Programme to consider those projects which should be prioritised and those areas where we may need to think again about the timescales for delivery. The outturn forecast remains substantially below planned expectations, and the programme has therefore been adjusted to accommodate some of the inevitable delays.

We are publishing this updated version of the Capital Programme to assist in presenting a holistic picture of the scale of investment made through our capital and revenue budgets to deliver tangible outcomes for our residents. It is clear from this report that we are committed to tackling the climate emergency and are putting significant resource into supporting residents going forward.

### **RECOMMENDATIONS**

That cabinet:

1. Notes the forecast outturn and resources for 2021-22 and future years for both the general fund and housing investment programmes as detailed in Appendices A, B and D;
2. Approves the virements and variations to the general fund and housing

investment capital programme as detailed in Appendix C and the new capital bids contained within this report and summarised at Appendix E;

3. Notes the significant funding requirement of £305m which needs to be identified for the general fund programme to be fully delivered over the remaining term of the programme, as detailed in Appendix A;
4. Notes the borrowing requirement of at least £1bn for future years for the housing investment programme to be fully delivered over the remaining term of the programme, as detailed in Appendix B.
5. Note the significant contribution the capital programme is making towards the objectives of the council's climate change strategy (see para 19-20).

## **BACKGROUND INFORMATION**

6. On 14 September 2021, the 2021-22 Month 4 Capital Monitoring report was presented to Cabinet. This reported programmed general fund expenditure of £478m over the 10 year programme and an in-year forecast of £138.9m against programmed spend of £204.9m. The Housing Investment Programme stood at £2.1bn with an in-year forecast of £347m against programmed spend of £458m.
7. The estimated borrowing requirement amounted to £311m on the General Fund and £876m on the Housing Investment Programme.
8. The scale of the capital programme is immense, representing a major element of the council's financial activities. It has a significant and very visible impact on the borough and hence on the lives of those who live, learn, visit and do business in the borough.
9. Due to the size and scale of the programme and the number of projects involved, it is inevitable that unforeseeable delays can occur which lead to some variations against planned spend. Actual resources may also vary to the plan, due to, for example, a delay in the sale of a property, or an external development with s106 or CIL obligations not being brought forward as quickly as anticipated. This has historically resulted in the capital programme being over-programmed in year, whilst retaining a balanced programme over the entire ten year life of the programme. However, the council now faces a position where planned spend is considerably in excess of forecast resources, not only in year, but also over the life of the programme.

10. The council's constitution requires council assembly to agree the capital strategy and programme at least once every four years, ensuring effective financial control and the achievement of value for money, within the provisions of financial standing orders. On 24 February 2021 the council assembly noted the refreshed 10 year general fund capital programme and housing investment programme (HIP) for the period to 2029-30. Cabinet will consider and approve the refresh of the capital programme on a regular basis through capital monitoring reports to ensure it is fully updated and aligns with the council's key priorities.

## **KEY ISSUES FOR CONSIDERATION**

### **Programme position at Month 8 2021-22**

11. The capital programme is detailed within the report and appendices as follows:
  - Appendix A set out the summary of the general fund capital programme 2021-2031
  - Appendix B sets out the housing investment programme for 2021-2031
  - Appendix C sets out capital programme budget virements and variations for approval
  - Appendix D provides further detail on the general fund capital programme 2021-2031.
  - Appendix E provides details of new bids.

### **General Fund**

12. Attached at Appendix A is a summary of the general fund capital programme position as at month 8. The total programmed expenditure over the period 2020-21 to 2030-31 is £495m. The forecast spend in 2021-22 is £107m against a programmed spend of £142m.
13. Capital expenditure to the end of Month 8 amounted to £36m representing 33% of forecast spend for the year.
14. Appendix C details the budget virements and variations for approval by cabinet.
15. Appendix D provides a breakdown of the programme by directorate and project and the departmental narrative statements (paragraphs 30- 114) provide further details.

16. This programme position will continue to be monitored and reviewed over the remainder of the financial year and the final outturn position will be reported to cabinet.

### **Housing Investment Programme**

17. The housing investment programme is forecasting total expenditure of £2.2bn over the period 2021-22 to 2030-31. The forecast spend in 2021-22 is £252m against a budget of £348m. Expenditure to the end of month 8 amounted to £112m representing 44% of total forecast spend for the year.
18. A breakdown of the schemes and budgets within the housing investment programme is included in Appendix B. Further narrative is provided at paragraphs 106 to 114.

### **Climate change implications**

19. This report provides an update on the council's capital programme as a whole. The impact of individual projects and programmes will be considered in line with constitutional requirements as part of the specific decision making and procurement processes.
20. The capital budget strengthens the council's commitment to tackling the impact of climate change. As well as creating a £25m capital fund, the council has made significant progress across the individual capital programme projects to achieve energy efficiencies and reduce carbon emissions. For example, projects are ongoing to install roof top solar panels, improving glazing and insulation and replacement of gas fired boilers with a focus on decarbonising community buildings, schools and social housing. Over 40% of lighting has been upgraded to more energy efficient lighting in shopping areas, school streets and areas of high footfall and residential roads. Further investment is planned to upgrade 100% of the borough's highway lights to LED efficient lighting.

### **Resourcing the 2021-22 programme and onwards**

21. Capital expenditure is financed through a variety of sources, typically receipts from the sale of capital assets, capital grants, external contributions such as S106 or Community Infrastructure Levy (CIL), from reserves or from revenue budget contributions. Any capital expenditure that is not financed by available capital resources must be financed by borrowing.

22. The strategy for financing the capital programme is to utilise grants, before using council receipts and reserves, thereby minimising any requirements for borrowing which will impact on the council's revenue budget.
23. The council can temporarily utilise other resources in lieu of using external borrowing to fund capital expenditure. This is referred to as internal borrowing. Whilst internal borrowing is a useful treasury management facility to minimise debt financing costs, it merely defers the timing of external borrowing rather than obviating the need.
24. The shortfall in available capital resources is financed from borrowing and will be funded from revenue contributions to support the debt costs over the life of the debt repayment.
25. The treasury management strategy has been to defer external borrowing, borrowing only when needed for liquidity purposes. Whilst this strategy has worked well for the council, saving over £20m since 2011, the increase in capital spending can no longer be financed entirely from internal borrowing. Accordingly since 2017-18 the council has needed to borrow externally to finance previous capital spending and to maintain target cash balances.
26. The make up of the capital programme is significantly influenced by the scale of resource availability from grants, s106, community infrastructure levy (CIL) and capital receipts and their timing. Over the life of the programme, all commitments must be met from anticipated resources. In the event of any shortfall in resources to fund the programme in any particular year the council would need to consider the use of prudential borrowing to bridge the gap. The cost of servicing the debt will be a charge to the revenue budget and funded from savings and/or returns on investments.
27. In the current ten year programme included within this report, there is a forecast shortfall of available funds of £304m to meet the planned general fund capital commitments and a borrowing requirement of £1bn to fund the ambitious housing investment programme.
28. In addition, proceeds from capital receipts are continually kept under review especially for sales and development agreements. Financing will require careful monitoring of commitments and a drive to secure the forecast capital receipts and other resources as planned over the rest of the financial year. As part of work to review capital financing, a review of s106 has been undertaken to identify where contributions can appropriately be utilised to

support the capital programme, subject to the agreement of the Planning Committee.

29. In developing and managing its capital programme the council has to maintain clear control of the selection and use of resources to finance capital expenditure. Strategies for investments, borrowing and treasury management facilitate this control and assist the council to have clear strategic direction on its use of resources. Beyond 2021-22, there are likely to be future demands for borrowing and these will be assessed as necessary at the time as part of our treasury management strategy.

## **DEPARTMENTAL UPDATES**

30. The sections below provide commentary on the budget forecast position by department for 2021-22.

### **CHIEF EXECUTIVE'S DEPARTMENT**

31. The total value of the capital programme for the department for the period 08-2021/22 to 2030/31 is £172m. The projected 2021/22 outturn is £41.2m against the budget of £62m.

#### **Regeneration Division**

32. The regeneration division (comprising of 4 project areas namely Regeneration North, Regeneration South, Regeneration Capital Works & Development and Property Services) have a combined budget of £133.19m with expenditure incurred to the end of November 2021 amounting to £11.70m.

#### **Walworth Road Town Hall**

33. GP are in the process of finalising the appointment of a main contractor and are still confident that works to regenerate the buildings will start on site in Q4 this year with practical completion in 2024.
34. The process to recruit the chair and membership of the management body for the community space has concluded and applications are in the process of being assessed. The management body once formed will have responsibility for appointing an operator to run the facility on a sustainable financial basis. It is currently anticipated that membership of the board will be concluded in the new year allowing work to start on finalising a brief for the appointment of an operator.

### **Canada Water Leisure Centre**

35. The council's new Leisure Centre which will replace Seven Islands is to be located on plot A2 within the British Land Canada Water Masterplan. British Land have now appointed Mace as the main contractor for the project. The current programme anticipates that the new leisure centre will be open to the public in 2024/25.

### **Elephant and Castle Open Spaces**

36. Dickens Square/ Dickens Fields: Practical completion & handover were completed on 19 August 2021 and the new space has been successfully opened to the public.
37. Victory Community Park –The programme for this scheme is currently on track. Consultation on the developed design took place during May–July and a planning submission followed in August. Permission is expected by the end of the year with construction programmed for January May 2022.
38. Nursery Row: Approval of PID in February 2021. Public consultation on proposals for the park is now underway.

### **44 Webber Street**

39. Essential repairs have recently been completed to the structure and fabric of this Victorian, former school building which is let on commercial terms to the well regarded Centre for Literacy in Primary Education (CLPE). The asset generates a significant income and will continue to do so post-works, at which point we have negotiated the transfer of future repairing obligation from the landlord to the tenant. This has been a complex project and as at month 12 some degree of overspend is anticipated, in 2021/22. The final outturn figures are in negotiation with our advisors and the contractor and may be the subject of arbitration.

### **Voluntary Sector Strategy**

40. Voluntary Sector Strategy entails necessary works to VCS buildings, and in particular the refurbishment of Sojourner Truth Centre to be completed in 2021/22. Additional projects have been identified and are being appraised – 12a Asylum Road, Wells Way, 177 Abbey Street. If the council is to retain the buildings it will need to invest (potentially with the benefit of grants on match funding basis) to avoid them becoming unusable liabilities. We propose to develop individual capital bids for these and some

commercial assets in a similar position. The options are being reviewed and cabinet will be updated in the next capital monitor report.

**Pullens Yard Improvements - £912k (New capital bid)**

41. Pullens Yards Improvements an ongoing project to achieve minimum fire safety compliance in old workshop premises integral with tenanted and leasehold residential premises. The project is underway, on a unit by unit basis, with all existing funds committed. To achieve full compliance we need to budget for works to 23 more units, plus ancillary works, over the next three years (including the current one) - a total requirement of £912,000, 2021 - 2024. A bid for capital is being made in this round of bidding. This capital bid is also reflected in Appendix C and is submitted for cabinet approval.

**Void Shops - £1.5m (New capital bid)**

42. Void Shops now unbudgeted. However, these are essential works to ensure that shops meet minimum statutory, safety and environmental performance standards. If capital cannot be made available to continue the programme either the costs will need to be met from income (primarily HRA revenue), or the shops will become unlawful to let. We expect to see more commercial premises becoming vacant as the economic impact of the Covid-19 pandemic comes to bear and rent recovery action resumes. Based on our expectation of 30 units per annum there is an investment requirement of £500,000 per annum, a total requirement of £1,500,000, 2021 - 2024 - For the time being this remains as a potential budget pressure if unfunded. A bid for capital is being made in this round of bidding. This capital bid is also reflected in Appendix C and is submitted for cabinet approval.
43. The council completed the MDA in December 2020 and planning permission has also been secured. Once the agreement was completed the council was required to make payments to British Land to meet the cost of its 20% share of the former Rotherhithe Police Station site and Dock Offices sites. These parcels of land form part of the development site and planning consent. In addition a payment was also required to meet costs arising from development of the scheme to date. These payments have now been made ensuring the council retains its 20% share in the MDA site and plot investment options.

**Council Depot Improvements and Rationalisation -£5m (New Capital Bid)**



44. There was previously a scheme to rationalise the Council Depot functions over their three sites, Copeland Road, Frensham Street and Sandgate Street. The opportunity has now arisen to create a new access to the Copeland Road site as the temporary accommodation block is now surplus to requirements and no longer suitable for long term use. This provides the means to improve the use and efficiency of the site, removing any conflict with the Go Ahead buses.
45. This is timely because it also coincides with negotiations with Go Ahead London on the renewal of their lease. Go Ahead are also expected to bring forward proposals for electrification of their bus fleet including the electrical supply to the site, which could in turn benefit the council from a carbon zero perspective in terms of the electrification of its vehicles.
46. All the buildings on the Copeland site are in need of improvement and update and some are underused. It is also proposed to revisit the use of the other two depots and specifically the Sandgate Depot to determine the improvements that could be made to the working conditions for staff and the operational efficiency of the site. This will take account of the new ways of working to ensure that the accommodation is flexible for future use.
47. A bid is made to undertake demolition and access works in 2022/23 of £600k with the balance being set aside for 2023/24 to develop a series of improvements and rationalisation of services in consultation with staff. This will include infrastructure improvements and opportunities for electrification should lease negotiations with Go Ahead be concluded successfully. The scheme is expected to produce revenue savings in future years in terms of operational efficiency of Depot functions. This capital bid is reflected in Appendix C for cabinet approval.

#### **South Dock Marina - Essential Works- £3m (New Capital Bid)**

48. Since October 2020, the E&L and Regeneration Departments have been working to create a vision for the boatyard, marina and Greenland Dock. A lot of work has taken place around future proposals for the site including proposals for a full redevelopment of the boatyard comprising of provision of new council homes on part of the boatyard site, increased provision for marine based businesses, relocation of the current dock office to the boatyard site and provision for new council homes on part of the boatyard site.
49. Following a review of the council priorities a decision has been taken to

progress with the essential works required to the boatyard and improvements to the marina to form the first phase of the works. The current facilities on site are in poor condition and it is poorly positioned within the boatyard site. The health and safety works to address these concerns comprises of:

- Demolition of the existing facilities block and replace with a pre-fabricated toilet and shower block and placed in a more suitable / safe access position.
- Reposition the containers currently on site and create staircases / walkaways which are compliant with building regulations and fire safety
- Upgrade of the electrics to both the boatyard and marina to cope with the electrical demand on site
- Enhance the ground (identified in the structural report) so it can take the structural load required of the boatyard

50. These essential works will improve the facilities on site and increase potential income streams whilst forming the foundation for the subsequent phases of work and future vision of the site which will include expansion of Greenland Dock. This capital bid is reflected in Appendix C for cabinet approval.

### **Transport Division**

51. The transport planning budget of £3.13m is largely funded by Transport for London (TfL) to deliver transport improvement programmes as contained within the borough's movement plan.

### **TfL Funded Works**

52. TfL funded projects are on track with the majority of budgets either at full spend or on track to achieve full spend as forecast. Support for ETO process is currently showing an overspend, however it has been agreed with regulatory services that this can be offset with the camera revenues that the introduction of these schemes has created.

53. The £65k for the Rotherhithe to Peckham Cycle Connection for 2021 FY has been committed to the design consultant and work is currently nearing completion.

54. Works for cycle hire expansion have been delayed. Scoping work has been submitted to TfL and requires them to provide their approval for

implementation in order to proceed to the next stage, this approval has not been received in time to allow the works to be carried out this year. Approval has now been received and planning applications submitted. Forecast revised to move capital works into spring 2022.

### **Elephant and Castle Roundabout Project**

55. The capital programme also includes the remaining s106/CIL contribution of £32.72m (part of the total £63m) agreed by the council towards the strategic transport improvements project in Elephant & Castle.

### **CHILDREN'S AND ADULTS' SERVICES**

56. The total value of the departmental capital programme for the 10 year period from 2021-22 to 2030-31 is £109.7m with £30.2m forecasted to spend in 2021-22.

#### **Adult Social Care**

57. The capital programme budget for the period 2021-22 to 2030-31 is £31.8m, the main projects being; £15.4m in respect of a programme of improvements to existing care settings, £10m for the provision of an additional bed-based care facility and £5.4m for an essential lifecycle capital programme for four residential care homes.
58. The activity on the programmed life cycle work has been considerably affected by the pandemic. This resulted in some delays in the planned work on a number of sites. However work has recommenced as refurbishments started in Alma Grove, Therapia Road, and Mount Adon Park with a 2021-22 forecast of £0.6m.
59. Lifecycle work on Residential homes were also affected by Covid-19, however as the programme is now resuming, the expected spend on homes is revised to £1m for 2021-22. While larger projects, such as refurbishment of lifts, windows and pipework are restarting, it is worth noting that the continuing uncertainty around the pandemic might affect planned works during this financial year.
60. The Adult Social Care Capital Board has identified a number of priorities for 2021-22 and beyond to meet current and future needs of vulnerable adults in the borough. The council is actively working with commissioned providers and partners to ensure sufficient capacity and choice of high

quality provision across the borough.

### **Children's Services and Southwark Schools for the Future (SSF) Programme**

61. The Children's Services capital programme budget for 2021-22 to 2030-31 is £75.3m. This consists of £14.6m for the schools refurbishment programme as well as certain specific projects such as £15.2m for Rotherhithe School, 11.1m for Charter school, and £11.6m on Beormund Special School. The overall programme is focussed on rightsizing provision, ensuring the estate remains fit for purpose (and also on contributing to addressing high needs provision in the borough). Rising construction prices related to Covid and Brexit are affecting the capital programme by increasing demands on existing resources with construction prices rising in excess of 5% per annum and some materials in short supply.
62. There is an additional £2.6m remaining in the Southwark Schools for the Future Capital Programme including the remaining budget for the rebuilding of SILS KS3.
63. The overall context is that there is spare capacity in the primary sector (spread unequally across the borough) because of falling rolls relating to a reduced birth rate, exasperated by Covid-19 and a slowdown in growth in the secondary sector. Opportunities are being explored for rationalisation of buildings to make the best use of existing assets to reduce running costs for schools. There is also pressure to increase pupil places for children with special needs, which is a national issue for all education authorities. The school expansion projects have now been successfully handed over with Charter School East Dulwich being the only key remaining project currently onsite. This includes the sixth form centre and resource base with a targeted completion date of September 2022.
64. The main works on Rotherhithe School are progressing well, and target completion and decant into the new school is scheduled for February 2022, with demolition of the existing school and landscape works to follow, completing in July 2022. In addition, design work on Riverside Primary School is underway to re-provide defective early years classrooms, dining and safe access into the school, with work anticipated to start on site in 2022. Both Riverside and Beormund may need additional capital investment to complete the projects. These projects are being evaluated and will be brought forward if recommended by officers.
65. Any proposals to rationalise the supply of school places to ensure schools

can operate their buildings economically may require capital investment from 2022-23. The potential need for any future investment will be brought to a future Cabinet assembly as appropriate.

66. The Primary Schools Refurbishment programme for 2021-22 is now substantially complete with the majority of the refurbishment works having occurred during the school holiday period. Planning is underway for the 2022-23 programme. Under this programme, the decarbonisation strategy for the school estate will be developed to plan for the move away from using fossil fuels in the heating of schools.
67. A key priority of the programme is the provision of SEN/ higher needs places, building upon the work at Cherry Garden School and at Park College post 16 provision. However, there has been some slippage in the opening of resource unit at COLA and the planned project at SILS KS4 needs to be reviewed given the delay caused to the new homes scheme and the re-provision of SILS KS4 as part of this project. This may be subject to a future capital bid.
68. The project aimed at increasing in-house fostering capacity for the Children and Families Division has been completed. The division is currently in progress of developing proposals for Children's residential home within the boundaries of Southwark. This may be subject to a future capital bid.

## **ENVIRONMENT & LEISURE**

### **Summary**

69. The total value of the departmental capital programme for the period 08   
  
2021/22 to 2030/31 is £143.7m. The projected 2021/22 outturn is £21.8m against the budget of £29.4m. The budget for future years has been re-profiled in line with the projected expenditure.
70. The progress of major schemes is outlined below.

### **Highways**

71. The NPR Programme spend at the end of month seven is 61% of total budget and on track to meet forecast just before the end of FY with no overspend expected. The forecast final outturn remains the same at £3.4m for capital renewals and £600k for Devolved Highways.

72. The Principal Roads programme spend is currently at 37%, however all remaining works are complete with the final account expected in December and full spend by end of January 2022.
73. Completion of works under the cycle infrastructure fund works in the Rye Lane area are now being mobilised and full spend will be achieved by the end of this financial year.
74. The start on-site date for Cycle Superhighway 4 has been revised to January 2022, so the previously forecast top up to TfL funding from the capital budget will not be required this FY. The forecast has been revised accordingly.
75. Works outside Belham School under the school expansion programme were programmed for Easter and money was brought forward to cover this, however due to issues identified in the final stages of the design, which will require further work, this now looks unlikely and so will need to be moved back to the school summer holidays, therefore the current forecast is likely to need to be revised.
76. The forecast for the Southwark School Streets programme for this year has been slow to start, however once issues around the procurement of new cameras have been resolved there will be an increase in spend towards the end of the FY. Full spend still forecast.
77. Cycle Hangers programme is currently behind forecast but it is still expected to hit the council plan target for the number of installs by end of March. However other funding sources have been prioritised and are likely to provide sufficient funding to meet targets. As such the actual outturn for this capital budget is likely to be below the current forecast.
78. New budget line for Highways CIL Projects has now been accurately forecast through to 2024.
79. St Saviour's Footbridge is now substantially complete within budget and no further costs expected from this capital budget.
80. Cox's Walk footbridge works have been delayed and the scheme is being reviewed.
81. 275 Cleaner Greener Safer applications were received for the 2022/23 round and applicants will be invited to present their proposals at one of the five multi ward area presentation meetings in late November / early December / early January. Devolved Highway Budget and Neighbourhoods

Funds applications will also be presented at the same meeting. Councillors will announce the successful proposals at the multi ward area decision meetings in February/March 2022.

82. The team is hard at work getting the new projects off the ground and dealing with the slight backlog of last year due to Covid.

### **Asset Management**

83. The programme for Lamp column replacement on the basis of structural integrity and lantern replacement for energy consumption reduction is forecasted for full spend. Structural and electrical testing is currently taking place. Materials have been ordered and works are now on site. Commercial journals are to take place in M8, to ensure costs are captured on Capital code.
84. Electric Vehicle lamp post chargers – The planned programme of 50 charge points is forecasted for full spend. All sites have now been selected and materials have been procured.

### **Parks and Leisure**

85. The adjusted spend forecast for 2021/22 on the Parks & Leisure Capital Programme is £7.4m with spend to date of £2.1m. The programme includes 32 individual projects in delivery. The majority of spend to date relates to the construction of Southwark Park Sports and Athletics Centre which completes in December 2021 and the tree planting programme.
86. Remaining spend is for a range of projects that will be in construction from December 21 to March 2022.
87. The most significant expenditure in the 2021/22 programme forecast is contained within following projects:
- Southwark Park Sports and Athletics Centre (£1.6m)
  - Burgess Park Sports Pavilion and Pitches (£2.2m)
  - Replacement Tree Planting (£750k)
  - Infrastructure and Investment (£500k)
  - Cossall Park – Construction (£361)
  - South Dock Marina Lock Gates (£261k)
  - Leisure centres Lifecycle maintenance (£250k)
  - Pelier Park – Construction January – May 2022 (£237k)

- Active Southwark, Outdoor Gyms & Flexible Swim & Gym (£220k)
- Nunhead East Lodge – Interim structural works (£209k)

88. Site surveys and initial stakeholder consultations have been completed for the Adventure Playgrounds project with wider community consultation planned from Spring 2022.

### **Culture**

89. Southwark Heritage Centre and Walworth Library project opened on 19 April 2021. Some snagging issues are still being dealt with and will be completed by end of defects period in Dec 2021. The project is on budget and final account will be completed at end of Dec2021

90. Library infrastructure & IT projects - Rollout & implementation of new RFID self service kiosks was delayed due to Covid19. This was implemented and completed in October 2021. Final payments being processed and should be completed by December 2021

### **Youth Services**

91. Detailed proposals for a total of £154k expenditure have now been agreed by the Cabinet Member and will be delivered by the end of the financial year. This includes:

- the development of a Digital Hub for easily accessible and provision of comprehensive, up to date and relevant information about activities and services for young people and their families.
- Digital Kiosks for Youth centres - This will ensure youth centre staff spend more time supporting and working with young people. It will also allow the collection of comprehensive service use data and intelligence to be used for continuous service improvement ensuring the service delivers the right activities at the right times.
- Hublets for Youth centres - Hublet is a self-service, shared tablet. This will enable young people to access a tablet when they visit the youth centres – this could be used in a variety of ways e.g. be to help find training opportunities, general research, entertainment etc.

92. Further capital spend proposals are currently being costed and include a music studio, mobile phone charging stations, plasma information screens and lounge areas amongst others. These are currently being worked up and it is expected that figures on costings will be available for the next reporting period



## **Environmental Services**

93. The carbon reduction capital programme is currently being reviewed in order to support the emerging climate emergency strategy. The Tooley Street installation has now been completed, with associated spend (c. £750,000) expected by end of Q4, and further large installations such as Queens Road are being considered. Feasibility is also being carried out to install LED schemes at all our outdoor sports pitches, as well as seeking carbon reduction opportunities within new builds such as Southwark Park sports pavilion.

## **CAPITAL BIDS**

### **Memorial capital growth bid - £2m**

94. Over the last few years a programme of memorial refurbishment has been undertaken with a total of 54 memorials having been rebuilt at a cost of £557,000. A condition survey was carried out in 2016 identifying the memorials that were the most dangerous in accessible areas and a works programme was put forward to address these in partnership with our colleagues in the Parks section. Funding was made available internally for these works through a previous growth bid, however this funding has now been fully utilised. Further deterioration has occurred and the total number of accessible dangerous memorials requiring works has increased substantially. A capital bid has been submitted to continue the essential works to unsafe memorials in the council owned cemeteries and on the public highway. This will address all identified accessible high-risk memorials to avoid closing further sections within the cemeteries or removing numerous dangerous memorials on the grounds of safety. The capital bid proposes to carry out works to the value of £2m over the next 5 years. This capital bid is also reflected in Appendix C and is submitted for cabinet approval.

### **Libraries IT infrastructure & maintenance improvements - £1.2m**

95. Capital bid needed to update and refresh critical Library IT systems and hardware including refresh of public network desktop PCs for customers accessing online services. This includes hardware kit replacement which is now reaching end of life. This is a heavily used service with 230 public PCs across the library service. Service average is 65% take up for adult use, 35% for children use (hours available against bookings). The capital funds are to be spread over 10 year period to include longer term projects

including replacement of PC booking kiosks, security gates/people counter systems, improvements in wi-fi to enable wireless printing, improvements to self-service equipment including cashless payments for customers. This budget will also be used to refresh staff PCs, self-service and library management database systems all of which will be reviewed in the next 7-10 years. Other IT improvements required for library innovation include laptops and digital tablets for customer use and upgrades in hardware and technology used in library meeting rooms.

96. Other capital improvements are also required across the library estate including replacement of fixtures and fittings at multiple library sites. Capital required for the purchase of new books and IT equipment for enhanced digital services to support the new Una Marson library due to open in 2022. We are also scoping a new facility for delivery of the Kingswood library offer. The capital bid is requested to carry out works to the value of £1.2m over the next 10 years. This capital bid is also reflected in Appendix C and is submitted for cabinet approval.

### **Air Quality Measures**

97. A capital bid of £0.500m is to be used to support the general improvement of air quality across the borough with some specific work around the council's school buildings. This will add to the air quality projects that are being undertaken in the borough. This will include the installation of air filters and purifiers in school classrooms, monitoring of air quality and supporting the 'walk to school' initiative and thereby reducing the number of car journeys.

## **HOUSING AND MODERNISATION**

### **General Fund**

#### **Overview**

98. The total value of the Housing and Modernisation general fund capital programme for the ten years to 2030-31 is £69.5m and comprises a diverse range of activity, mostly of a corporate back-office nature, which supports wider service delivery across the council. The nature of capital investment means that the complexity and inter-dependencies with other work streams can lead to slippage and re-profiling, as is the case this year, in order to deliver optimum service outcomes and best value. Expenditure for 2021-22 is forecast to be £13.5m. The key headlines are outlined below.

## **Asset Management - Housing Renewal**

99. Housing Renewal comprises a range of initiatives that principally support private sector residents to remain living independently through assistance with repairs, improvements and adaptations to their homes. Support is also provided to landlords and property owners to bring their properties back into use. The programme is largely funded through Disabled Facilities Grant (DFG) and the council's own resources for the provision of grants and loans.
100. As from April 2021, the full range of services resumed and changes have been made to the DFG process to streamline the system and reduce any unnecessary delays. So far this year, 37 cases have been completed, with 79 cases approved, on site or nearing completion and a further 46 cases currently at the initial application stage or out for tender.
101. As part of the council-wide review of empty homes, the current funding regime has been reviewed with recommendations to increase the value of grants & loans available to incentivise property owners to bring properties back into use. Following approval, a publicity programme will be put in place in the new year to promote the availability of the grants and loans across the borough.

## **Asset Management - Corporate Facilities Management (CFM)**

102. Facilities management investment targets the council's operational estate to ensure it is fit for purpose and statutorily compliant for the safety and wellbeing of its employees and service users. This is achieved through a comprehensive inspection and assessment regime and building lifecycle maintenance programme, designed to enhance their life and maintain asset value. The nature of the pandemic has meant that the programme has not progressed as planned with a lower forecast of £4.1m for lifecycle and compliance related projects, along with £1.3m delivery on public sector decarbonisation schemes. This funding will be used to install air source heat pumps, solar panels and improved insulation at a range of council-owned buildings which will contribute to the council's net zero carbon reduction target. In addition, CFM provide professional support to service departments across the council on capital investment projects to an estimated value this year of £1.2m.

## **Customer Experience – Technology and Digital Services (TDS)**

103. TDS continues to support and manage the investment in the council's IT

infrastructure that is critical to improving the on-line experience for residents and enabling them to access the services they need. While the current spend forecast is £3.6m for the delivery of key programmes comprising website replacement, applications transformation, applications migration and Wi-Fi connectivity, the pandemic continues to have an impact on operations and may see plans for 2021-22 slip into the next financial year.

### **Customer Experience – Smart Working Programme (SWP)**

104. This is the second year of the programme and expected to deliver a further £2.0m of investment, which follows £5m in the previous year. The programme faces similar uncertainties to TDS in that the plan for a number of projects is to deliver them over the next few months with the concern that they could slip into the next financial year particularly if supply chain complications emerge due to the pandemic. The unprecedented success of the laptop rollout in response to the pandemic has allowed resources to shift towards planned upgrades in areas such as telephony, audio-visual capabilities and office 365. All of which contribute to the council's commitment to modernise the way it works and delivers services and create the flexibility needed to drive efficiency and make savings.

### **Resident Services – Traveller Sites**

105. The programme of reconfiguration and improvement works to address health and safety and compliance issues (principally fire safety) across all travellers' sites is due to complete this year, with a forecast spend of £0.2m. Delays due to the pandemic have resulted in additional costs, namely prolonged temporary re-housing, storage of mobile homes and residents belongings and enhanced safety works identified as the project progressed. Planned works at the Brideale and Burnhill sites are subject to review and will be reported to cabinet at a later date.

### **Housing Investment Programme (HIP)**

#### **Overview**

106. The HIP is forecast to spend £251.8m in 2021-22, comprising £88.2m on existing stock, £156.6m on new council homes including acquisitions and site assembly costs and £7.0m on wider regeneration schemes. However, the programme is currently under review and over the coming months will see significant change as the council responds to the unprecedented investment challenges that it faces, particularly in relation to new and

emerging building and fire safety requirements, the heat network, the redevelopments at Aylesbury, Ledbury and Tustin, and the council's carbon neutrality commitments. The scale of investment needed is unprecedented (circa £2.5 billion over the next ten years), which the council does not possess. Whilst there is scope for additional borrowing (within predetermined limits), the council must ensure that the revenue financing costs arising remain affordable in the HRA over the long-term without adversely impacting day to day service delivery. The review being undertaken now will help to ensure the HIP can be delivered in line with resource availability and affordability.

### **Quality Homes Investment Programme (QHIP)**

107. QHIP is the principal strand of the council's asset management strategy for maintaining and renewing the existing housing stock and is the successor to Warm, Dry, Safe (WDS). Forecast spend as at month 8 for 2021-22 is £61.9m. Due to pandemic restrictions, internal works including the kitchens and bathrooms programme resumed around mid-year with a phased approach to ensure outstanding works are completed. Prior to the resumption of the internals programme, the focus was on external works and work to improve district heating. A re-profiling of the QHIP to take into account new legislative demands around building safety and fire safety, as well as council commitments to reduce carbon emissions, is currently being undertaken.

### **Heat Network Strategy**

108. The council's Heat Network Strategy recognises the substantial investment required in its ageing heat network. Running alongside this is the council's ambitious commitment to be carbon neutral by 2030. A report commissioned in 2016 by industry experts Parsons Brinckerhoff estimated investment of around £350m over forty years would be required to deliver a modern heating network that would contribute to carbon reduction. However, that estimate is now likely to be very wide of the mark in terms of cost, and is yet another pressure to be absorbed within the HIP going forward. A Heat Networks Strategy paper was approved by Cabinet in September 2021. The Council's first residential heat pumps scheme has progressed well, with £7.5m spent so far at Consort, Wyndham and Comber, with the pumps due to be fully operational across all three estates by the end of the financial year. A number of external funding streams are being explored to support the delivery of the overall strategy.

### **Special Schemes (High Needs)**

109. The special schemes programme covers those estates identified as high need/high cost requiring extensive repair and refurbishment. The schemes by their nature are complex and resource intensive and require bespoke funding solutions including sales receipts to ensure their affordability, outside of the main QHIP programme. Forecast spend of £9m is estimated for 2021-22. Significant investment at Maydew on the Abbeyfield Estate will also continue into 2022-23.

### **Other Programme Schemes**

110. The remainder of the main programme covers a wide range of schemes, with spend of £9.7m forecast this year. This includes fire risk assessments, legacy warm dry and safe (WDS) schemes, major works on individual properties and hostels, and works carried out on behalf of the council by Leathermarket JMB.

### **New Council Homes**

111. The council aims to deliver 2,500 new council homes by May 2022, with 784 having been built to date. Projects are now on site to deliver 1,464 new homes, with planning permission obtained for 722 new homes scheduled to start on site by that date. During this quarter, as part of the Direct Delivery programme, work has started on site to deliver 472 homes. These projects comprise Aylesbury FDS Package B (352 homes), Canada Water Plot K (79 homes), Salisbury Estate Car Park (26 homes) and three other projects delivering 15 new homes. This report reflects revised forecasts for the Alvesbury FDS and Cator Street projects.
112. The housing regeneration programme forms part of the wider new homes programme delivering new homes through both working in partnership with developers and direct delivery. Three development partnership schemes have started on site at 345 Southwark Park Road, the former Cherry Gardens School and at Manor Place and Braganza Street, collectively providing over 80 new council homes. Construction has also started on two large directly delivered schemes at Flaxyard and Albion sites, and over the coming months works will start on site at Penry Street, Cator Street 2, Wickway and Parkhouse Street.
113. A forward plan of schemes beyond the target of 2,500 homes on site by 2022 is being developed and will be available in the first quarter of 2022. However, cabinet need to be conscious of future programme risks in relation to material shortages and construction price volatility, changes to

building safety regulations and climate change requirements and volatility/uncertainty in the housing market. Achieving the longer-term commitment to build 11,000 homes will require more land for development than is currently available and this is reflected in the HIP with resources earmarked for site assembly. The incidence and timing of prospective land and property acquisitions cannot be accurately predicted which is why HIP resources are earmarked to provide the flexibility to enable the council to avail itself of market opportunities as they arise.

### **Regeneration Schemes**

114. Spend on regeneration schemes for 2021-22 is forecast to be £7.0m, with most of the existing projects drawing to a close. The forecast comprises works on the Aylesbury estate (£6.6m), East Dulwich Estate (£0.2m), and other legacy schemes at Elmington and Elephant and Castle (£0.2m). On 18 January 2022 Cabinet approved additional funding of £47.9m to consolidate and take forward the further development of the Aylesbury Estate, which is reflected in this monitor.

### **Responding to the climate emergency**

115. The Housing Investment Programme includes a wide range of planned projects and initiatives to tackle the climate emergency, including the installation of water source heat pumps to the Consort, Wyndham and Newington estates and plans to extend the programme where feasible. A programme for the initial roll-out of heat meters to approximately 2,000 properties, which will help to reduce wastage, lower carbon emissions and provide residents with greater control over costs. The installation of highly efficient condensing boiler continues at pace, with more than 1,500 expected to be installed during the current financial year. Furthermore, old communal ventilation systems are being replaced, which will help to reduce energy usage, reduce condensation and improve air quality in council homes. Officers are also looking at options to extend the combined heat and power provision and exploring external funding opportunities to assist with improving energy efficiency and providing low carbon heating in the council's housing stock.

### **Community, equalities (including socio-economic) and health impacts**

116. This report monitors expenditure relating to the council's capital programme. Although as a monitoring report this report has been judged

to have no direct impact on local people and communities, the expenditure it is reporting reflects plans designed to have an impact on local people and communities. Community impact was considered at the time the projects and programmes were agreed. It is important that resources are efficiently and effectively utilised to support the council's policies and objectives.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Law and Governance**

117. The council has a duty to maintain a balanced budget throughout the year and, accordingly, members are required to regularly monitor the council's financial position. Section 28 of the Local Government Act 2003 imposes a duty on the council to monitor its budgets throughout the financial year, using the same figures for reserves as were used in the original budget calculations. The council must take necessary appropriate action to deal with any deterioration in the financial position revealed by the review.
118. The capital programme satisfies the council's duty under the Local Government Act 1999 which requires it to make arrangement to secure the continuous improvement in the way its functions are exercised, by having regards to the combination of economy, efficiency and effectiveness.

### **REASONS FOR URGENCY**

119. The council regularly updates Cabinet on the capital monitoring position. This is important in the current circumstances of the Covid-19 pandemic, and its financial impact on the councils overall financial position.

### **REASONS FOR LATENESS**

120. We continue to monitor and review the financial impact of the pandemic on the council's overall capital programme and financial position. The 2022-23 proposed revenue budget will be considered by Cabinet on 1 February.



## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources Strategy: capital monitoring report, including capital programme update 2021-22 (month 4)	Southwark council Finance and Governance 160 Tooley Street London SE1 2QH	Timothy Jones, Departmental Finance Manager, Finance and Governance
<b>Link:</b> <a href="https://moderngov.southwark.gov.uk/documents/s101232/Report%20Capital%20Monitor.pdf">https://moderngov.southwark.gov.uk/documents/s101232/Report%20Capital%20Monitor.pdf</a>		

## APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at Month 8 2021-22
Appendix B	Housing investment programme summary monitoring position at Month 8 2021-22
Appendix C	Budget virements and variations at Month 8 2021-22
Appendix D	General fund programme detail at Month 8 2021-22
Appendix E	New Capital Bids

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Rebecca Lury, Finance, Performance and Democracy	
<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Timothy Jones, Departmental Finance Manager, Finance and Governance	
<b>Version</b>		
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<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Law and Governance	Yes	Yes
Strategic Director for Finance and Governance	N/a	N/a
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	28 January 2022	